

ILLINOIS
COMMONS
Docket No. 05-0345
Exhibit No. 2.0R
2006 MAY 26 A 10:55
CLERK OF CIRCUIT COURT

Revised Rebuttal Testimony

of

Mitchell Berg

President of Woodlawn Utilities Corporation

Petition for Certificate of Public
Convenience and Necessity to provide water service
To Sheridan Subdivision near New Milford
In Winnebago County, Illinois

Docket No. 05-0345

May 2006

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to respond to Staff's testimony of March 2006 regarding the Certificate of Public Convenience and Necessity "Certificate" to operate Sheridan Grove Subdivision's water system in New Milford of Winnebago County in the state of Illinois.

Q. How do you propose to correct the concerns addressed by Staff?

A. By amending our contract with Nordic Investment Corporation. See schedule 2.1. We do not propose to change the total amount of refund, \$380,000. We do propose to refund \$232,975 for the backbone plant and \$147,825 for the main extension refund. The main extension refund would include \$4050 initial refund that would include the 6 homes that will be connected in the first 30 days. After approval, conforming with administrative code 600.370 (B), the only variance we are asking for is an extension of future home connection refunds out over 10 years.

Q. How do you address the shortfall in revenue?

A. We know the first year will be the toughest with fixed costs and low income. First, we will open Sheridan Grove's bank account with \$5000. These funds will be provided by Woodlawn Utilities and its investors. This operating capital should cover the first year shortfall. If it does not, as in Woodlawn Utilities Corporation, our affiliated interests, Smith Ecological Systems and MGD Water Systems, will go unpaid, without penalty, until funds are available. Second, with the change in contract we are refunding up to 90% of net revenue. This may cause the refund to extend beyond ten years, depending on unforeseen capital requirements which crop up until the refund is complete. See schedule 2.2.

Q. Does this conclude your Rebutle Testimony?

A. Yes

Schedule 2.1

Amendment to the Agreement between Woodlawn Utilities Corporation and Nordic Investment Corporation made on November 22, 2004.

Item Number Two

Refund Amount

Woodlawn Utilities Corporation shall refund the aforesaid entire water system for an amount not to exceed \$380,800.00 dollars. \$232,975.00 for the backbone plant and \$147,825.00 for the Main extension. This will be payable out of net income received from the users of the water system. Payments shall be made annually the projected ten year forecast is attached and Woodlawn Utilities Corporation agrees to pay 90% of net income until refund is complete.

Woodlawn Utilities Corporation shall pay aforesaid installment no later than January 20th for the proceeding year.

Schedule 2.2

Sheridan Grove Ten Year Income Projection

Year Ending	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of Initial Customers	0	45	107	172	215	219	219	219	219	219
Number of New Customers	45	62	65	43	4	0	0	0	0	0
Number of Total Customers	45	107	172	215	219	219	219	219	219	219
Usage in Thousand Gallons	1,890	6,384	11,718	16,254	18,228	18,396	18,396	18,396	18,396	18,396
Gross Revenue	\$ 10,125.00	\$ 34,200.00	\$ 62,775.00	\$ 87,075.00	\$ 97,650.00	\$ 98,550	\$ 98,550.00	\$ 98,550.00	\$ 98,550.00	\$ 98,550.00
Operating Expenses	\$ 12,492.00	\$ 23,070.00	\$ 28,314.00	\$ 34,678.00	\$ 32,850.00	\$ 36,500.00	\$ 36,500.00	\$ 36,500.00	\$ 36,500.00	\$ 36,500.00
Depreciation	\$ 8,091.00	\$ 8,768.00	\$ 9,478.00	\$ 9,948.00	\$ 9,991.00	\$ 9,991.00	\$ 9,991.00	\$ 9,991.00	\$ 9,991.00	\$ 9,991.00
Taxes Other	\$ 1,516.00	\$ 1,519.00	\$ 1,522.00	\$ 1,509.00	\$ 1,472.00	\$ 1,432.00	\$ 1,392.00	\$ 1,352.00	\$ 1,312.00	\$ 1,271.00
State, Federal Tax	\$ (760.00)	\$ 196.00	\$ 691.00	\$ 1,994.00	\$ 3,594.00	\$ 2,874.00	\$ 2,874.00	\$ 2,874.00	\$ 2,874.00	\$ 2,874.00
Total Other Expenses	\$ 8,847.00	\$ 10,483.00	\$ 11,691.00	\$ 13,451.00	\$ 15,057.00	\$ 14,297.00	\$ 14,257.00	\$ 14,217.00	\$ 14,177.00	\$ 14,136.00
Net Income	\$ (11,214.00)	\$ 647.00	\$ 22,770.00	\$ 38,946.00	\$ 49,743.00	\$ 47,753.00	\$ 47,793.00	\$ 47,833.00	\$ 47,873.00	\$ 47,914.00
90% of Net Income	\$ -	\$ 582.30	\$ 20,493.00	\$ 35,051.40	\$ 44,768.70	\$ 42,977.70	\$ 43,013.70	\$ 43,049.70	\$ 43,085.70	\$ 43,122.60
Backbone Refund is 61%	\$ -	\$ 355.20	\$ 12,500.73	\$ 21,381.35	\$ 27,308.91	\$ 26,216.40	\$ 26,238.36	\$ 26,260.32	\$ 26,282.28	\$ 26,304.79
Main Extension Refund is 39%	\$ -	\$ 227.10	\$ 7,992.27	\$ 13,670.05	\$ 17,459.79	\$ 16,761.30	\$ 16,775.34	\$ 16,789.38	\$ 16,803.42	\$ 16,817.81
Accumulated Depreciation	\$ 8,091.00	\$ 16,859.00	\$ 26,337.00	\$ 36,285.00	\$ 46,276.00	\$ 56,267.00	\$ 66,258.00	\$ 76,249.00	\$ 86,240.00	\$ 96,231.00
Rate Base	\$ 378,929.00	\$379,883.00	\$380,495.00	\$377,255.00	\$367,888.00	\$ 357,897.00	\$347,906.00	\$337,915.00	\$327,934.00	\$317,933.00
Rate of Return	-2.96%	0.17%	5.98%	10.32%	13.52%	13.34%	13.74%	14.16%	14.60%	15.07%

\$ 4,050.00 refunded to Nordic Envestments within the first 30 days.